Denker SCI* Global Financial Feeder Fund

Minimum Disclosure Document

As of 31/07/2023

DENKER CAPITAL

MDD Issue Date **17/08/2023**

Fund Objective

The objective of the portfolio is to provide long-term capital growth by investing in financial companies from around the world. This feeder fund portfolio primarily invests in participatory interests of the FSCA approved Denker Global Financial Fund, a sub-fund of the Irish domiciled Sanlam Universal Funds plc. The portfolio may also hold ancillary liquid assets including cash and/or money market instruments. The Portfolio may, where the Manager considers it in the best interests of the Fund, invest up to 100% of its net assets in securities traded in or dealt on the stock exchanges or regulated markets considered by the manager to be emerging markets.

Fund Strategy

The fund utilises its database and long experience of the financial sector to invest in financial companies with the search focused on companies that have a good track record of growing their net worth, whilst maintaining the discipline of investing only when they are undervalued.

Why Choose This Fund?

- The fund invests in undervalued financial companies around the world, the research focus being on undiscovered or neglected stocks.
- The fund employs an active stock-picking investment process.
- It is a Rand denominated fund. No foreign exchange tax clearance is required.

Fund Information

Ticker	SGFFA1
Portfolio Manager	Kokkie Kooyman
ASISA Fund Classification	Global - Equity - Unclassified
Risk Profile	Aggressive
Benchmark	MSCI World Financial Index
Fund Size	R 241,562,658
Portfolio Launch Date	01/03/2011
Fee Class Launch Date	01/03/2011
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Pricing Date	2nd business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	3 business days

Fees (Incl. VAT)

	A1-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.15
TER	2.35
TC	0.22
TIC	2.57
TER Measurement Period	01 April 2020 - 31 March 2023

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

*Denker Sanlam Collective Investments Global Financial Feeder Fund.

**The main fund this feeder fund is investing in is a non-distributing fund, hence no income may be available for distribution.

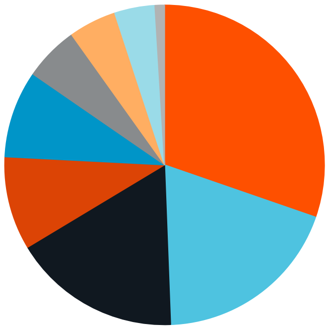
Top Ten Holdings

	(%)
Portfolio Date	**30/06/2023**
JP Morgan	5.42
US Bancorp	4.83
Legal & General	4.74
Swedbank	4.53
Arch Capital Group Ltd	4.05
TBC Bank	3.79
Lancashire Holdings Limited	3.77
LIC Housing Finance	3.73
Erste Bank	3.49
Essent Group	3.46

These are the top holdings of the offshore fund in which this feeder fund invests.

Asset Allocation

Portfolio Date: 30/06/2023



	%
USA	30.30
Europe	19.10
ASIA	16.98
Other	9.43
UK	8.80
Eastern Europe	5.52
Scandinavia	4.82
Latin America	4.09
Cash	0.96
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	31.12	21.27
3 Years	19.04	18.03
5 Years	8.14	12.69
10 Years	10.59	13.83
Since Inception	12.31	15.50

Cumulative Performance (%)

	Fund	Benchmark
1 Year	31.12	21.27
3 Years	68.70	64.44
5 Years	47.92	81.74
10 Years	173.58	265.32
Since Inception	322.53	498.74

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	37.67
Lowest Annual %	-5.69

Risk Statistics (3 Year Rolling)

Standard Deviation	21.84
Sharpe Ratio	0.68
Information Ratio	0.10
Maximum Drawdown	-19.67

Distribution History (Cents Per Unit)**

31/12/2020	0.00 cpu	31/12/2019	0.00 cpu
31/12/2020	0.00 cpu	30/06/2019	0.00 cpu
30/06/2020	0.00 cpu	31/12/2018	0.00 cpu

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Sanlam

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Risk Profile

Aggressive
This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to substantially outperform the markets and therefore carries a long-term investment horizon (5 years and upwards). The portfolio will be diversified across all major asset classes with significant exposure to equities, and may include offshore equities. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

Risk Considerations

- The fund is focused on investment in global listed companies; accordingly the performance of the fund is directly linked to the performance of the global equity markets.
- Investing in international companies means the currency exchange rate fluctuations will have an impact on the fund's investment performance.
- As the SA Rand can be a volatile currency, this could lead to significant fluctuations in the rand value of this fund.

Glossary Terms

Active Stock-picking Process
This is when asset managers actively and tactically vary their stock selections based on economic and market data, and fundamental valuations, etc. This should lessen an investor's exposure to declining markets and helps preserve capital.

Annualised Returns
Annualised return is the weighted average compound growth rate over the period measured.

Asset Allocation
Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

Capital Growth
Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

Distributions
The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Derivatives
Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

Feeder Fund
A feeder fund is a South African-based fund that feeds exclusively into its primary foreign-based fund. It allows investors easy access to investing in an offshore fund, eliminating complicated tax and other implications. The shares of the feeder fund represent shares in the primary fund (called a master fund).

Liquidity
The ability to easily turn assets or investments into cash.

Information Ratio
The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

LISP (Linked Investment Service Provider)
A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

Maximum Drawdown
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Money Market Instruments
A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

Participatory Interests
When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

Regulation 28
Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities; 25% for property; 45% for foreign (offshore) assets.

Sharpe Ratio
The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard Deviation
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

Undervalued Equity Stocks/ Investing in Neglected Global Equities
This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

Additional Information

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Portfolio Manager Quarterly Comment

Quarter to June 2023

Market review

The first quarter's banking stress in the US resulted in a sharp repricing of the likely path for interest rates. The 2-year bond yield in the US rallied from a high of 5.1% on 8 March to a low of 3.8% a few weeks later. But during Q2 robust economic growth data, moderating inflation numbers and resolution on the US debt ceiling standoff pushed the 2-year bond yield back to 4.9% at the end of the quarter and above 5% in July. Surprisingly, global markets delivered despite the interest rate volatility, but the market performance has been notable for the very narrow returns – i.e. a large part of market returns have been driven by only a handful of shares. During Q2 the strongest performing sectors were once again technology (+16%), consumer discretionary (+10.9%) and communication services (+9.6%). Sector laggards were mainly sectors that are more defensive in nature such as consumer staples, healthcare and utilities. These sectors were essentially flat during Q2.

Central Banks globally marched to the drum of continued inflationary pressures and maintained their rate hiking stance - including the Fed, Bank of England, European Central Bank and central banks of New Zealand, Canada and South Africa (to name a few).

The MSCI World Financial Index (the fund's benchmark) gained 5.0% (US banks 4.5%) in US dollars. This shows a very strong bounce back of the US banks from the negative -8.3% (total return) for the six months.

Portfolio review

The Denker Global Financial Fund performed well (and outperformed its benchmark) over the quarter and 6 months (with the A class gaining 7.6% for Q2 and 3.5% YTD).

The lesson here for investors is to guard against emotionality when negative events occur. When investing one does so with a view of the future, and the future is always uncertain. But two certainties that are important to have to generate good investment returns are a) valuations and b) management quality. The valuations of the banks and insurers the fund is invested in are currently at historic lows, which highlights the uncertainty in the market about the near-term future of the sector. But it also means a strong rebound when the outlook changes. In terms of quality, the track record of the management teams the fund is invested in - in terms of underwriting, cost management and capital allocation whilst growing the business profitably - speaks for itself.

During the quarter, the market ignored the above and sold down the US regional bank shares. In our case, the investments in US Bancorp and Keycorp (both US regional banks) were down 26% and 46% over the six months.

On concerns of the effects of a possible recession, recent stress test results released by the Fed highlighted that US banks have sufficient capital to withstand a 40% fall in commercial real estate values. In addition, JP Morgan reported that their bad debt provisions will be sufficient for a 5.8% US unemployment rate environment (current rate of 3.6%). March 2023 results released by South African banks also showed +/- 50% increases in bad debt provisions, providing for potential bad debts in the event of a downturn. This highlights how conservative management teams are and overtly negative markets are.

We visited bank management teams in the US, UK and Europe in May and one of the executives said, ***"When I look inside our bank and I look at the market, there seems to be a total disconnect".*** Our experience of many cycles and bank crises, research, observations and the meetings bring us to the same conclusion. The market is acting on poor information and emotions and this is presenting investors with a chance to invest at rock bottom valuations.

This is proven by the price gains of the 15 best performers, most of them gaining 20% to 50% over the quarter. Most notable were the Greek banks (a small investment initiated in 2022) whilst long-time, larger investments like Kruk (Poland), Shriram Finance, IndusInd bank and LIC Housing (all in India), Scor (France), Banco Bradesco (Brazil), TBC (Georgia) and JP Morgan (our largest holding in the fund) also all had strong share price performances. This highlights the importance of having a diversified portfolio and, also, our ability to compare and do stock picking across the globe.

Changes to portfolio and Outlook

Subsequent to our visits we added to our regional bank holdings, taking profit on Scor (that has performed very well) and reducing Citigroup. We also reduced our investment in the Georgian banks (gained +100% over 12 months) and increased the investment in Banco Bradesco in Brazil. The Central Bank of Brazil's very hawkish stance is having the right effect, with inflation now down to 3.5% and interest rates still at 13.5%. So, one can look forward to a period of rate cuts which will spur economic growth.

Besides Brazil, the US regional banks, and UK banks and insurers and many of the EU banks and insurers remain grossly mispriced (Legal and General on a forward dividend yield > 8%). Even after the strong performance of the Georgian banks they remain very attractive on P/NAVs < 1.0x (with 25% ROEs). Why? In our view the sector is presenting an excellent investment opportunity. We think the reason for the low valuations is that investors are fearful and this emotion prevents them from looking through the bad news they see in the environment and seeing the good results the banks keep delivering. Interesting is that many of the smaller market cap holdings are attracting attention and have had good price gains. For the whole sector to re-rate from the current low valuations one most probably needs patience. But the downside risk is very low, and, in the meantime, we strongly believe that now is a good time for investors to invest - whilst these attractive valuations last and to benefit from the high dividend yields and growth in shareholder value in the shorter term.

Note: All returns included above are in US dollar terms.

Portfolio Manager
Kokkie Kooyman
BCom (Hons), HDE, CA (SA)